Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Travelite Holdings Ltd.

Stock code: BCZ

Meeting details:
Date: 30 July 2021
Time: 10.30 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As noted in the corporate profile, the group's vision is to be the leading lifestyle brand management company in Asia and key international markets. The group currently represents over 20 international brands, either as a licensee or distributor, to market their products across various parts of Southeast Asia.

The distribution channel consists of departmental stores, chain of specialty stores, third party retail outlets, gift redemption and corporate gift programmes in Singapore and Malaysia; and wholesale distribution to third party distributors in countries such as Brunei, Cambodia, Indonesia, Myanmar, Thailand, Maldives and Kuwait.

The brands carried by the group can be found on page 3 of the annual report.

(i) **Has the board reviewed if the pandemic accelerated the adoption of e-commerce and thus negatively impacted the long-term prospects of the group's distribution channel, such as departmental stores, specialty stores and retail outlets?**

The chairman, in his message, added that the group "expanded [its] online presence by setting up a new business unit to focus on digital marketing and build brand awareness online" (page 4).

(ii) **Is the group successful in keeping up with digital marketing and brand building online?** It would appear that the group committed to expanding its online presence in the past year as a result of the pandemic. **What are the targets for its digital marketing in the next 12-18 months?**

(iii) **What is the revenue share of the group's non-travel products?**

(iv) **How has the pandemic affected the wholesale distribution business?** The group listed Brunei, Cambodia, Indonesia, Myanmar, Thailand, Maldives and Kuwait as the key markets for its wholesale distribution (third party distributors). Segment revenue dropped by 77% from $7.1 million to $1.7 million in FY2021. **Does management expect the wholesale distribution business to lag in its recovery? If so, how has the group adapted to the challenges?**

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Q2. In the financial highlights (page 14), it can be seen that the group's revenue has ranged between $40 million and $43 million in FY2018-FY2020, before suffering a 58% decline to $18.0 million in FY2021 due to COVID-19.

The group has reported losses in 3 of the last 5 financial years (page 14 – Financial highlights), with losses adding up to $(7.4) million. In fact, from FY2015 to FY2021, the group was not profitable in 4 out of the 7 years with losses amounting to $(10.8) million.

Equity attributable to owners of the company has decreased from $28.4 million in FY2014 to $16.8 million in FY2021. The group's net debt was $29.2 million in FY2020, before the sale of the group's Kallang Bahru property in this financial year. As at 31 March 2021, net debt was $24.5 million. Net debt to equity ratio remains elevated at 1.2 times.

Financial Results	FY2017[1]	FY2018	FY2019	FY2020	**FY2021**
Revenue ($'000)	48,859	40,262	42,781	42,571	**18,040**
Profit / (Loss) Before Tax ($'000)	544	(1,316)	399	(5,895)	**(1,104)**
Earnings / (Loss) Per Share (cents)	0.7	(1.5)	0.4	(9.7)	**(2.9)**
Financial Position					
Non-Current Assets ($'000)	24,474	24,722	24,029	30,817	**29,996**
Net Current Assets ($'000)	16,388	14,793	15,040	10,440	**16,689**
Total Equity[2] ($'000)	29,627	27,957	28,254	22,050	**20,719**
Net Debt (Cash) ($'000)	19,198	17,317	14,611	29,157	**24,459**
Return on Equity (%)	1.4%	-3.5%	0.8%	-27.7%	**-8.7%**
Net Debt to Equity Ratio (times)	0.6	0.6	0.5	1.3	**1.2**
Net Assets Per Share (cents) (excluding treasury shares)	47.0	44.3	44.8	34.9	**32.8**

[1] Financial results and return on equity (%) presented are before applying the classification and presentation requirements of FRS 105 in respect of the business of distribution, wholesale and retail of Delsey products discontinued during FY2017.
[2] Includes non-controlling interests.

(i) **How sustainable is the current business model, especially given the challenges in the brick-and-mortar?**

(ii) **Has the group considered any appropriate diversification that leverages on the group's strengths? What are the joint ventures being explored or being considered?**

(iii) **Has the board/RC reviewed the level and structure of remuneration to better motivate and incentivise the executive director and to further align his interests with shareholders?** The executive director received ~$405,000 in FY2018, $442,000 in FY2019, $385,000 in FY2020 and $220,000 in FY2021 all as salary and benefits, with no bonus earned. During the time, the group's loss before tax added up to $(7.9) million.

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Q3. The board currently comprises three members, two of whom are deemed independent. Mr Thang Teck Jong is executive chairman while Mr Foong Daw Ching and Dr Clemen Chiang Wen Yuan are the independent directors.

As such, the executive chairman is also a member of all three board committees, namely the nominating committee (NC), the remuneration committee (RC) and the audit committee (AC).

Despite the company stating its commitment to maintaining a high standard of corporate governance to ensure greater transparency and to protect the interests of the company's shareholders, the company deviated from several provisions of the Code of Corporate Governance 2018. In particular, the Code requires only non-executive directors/independent directors to constitute the RC and the AC. The board had "justified" the executive chairman's membership in the RC and in the AC based on his "understanding of the group's operations" and his "experience and expertise" in its deviation from Provisions 6.2 and 10.2 respectively.

All executive chairmen are reasonably expected to have a good understanding of the group's operations and have experience and expertise in the core business. These "qualities" should not be the justification for an executive chairman's membership in the board committees – which is an explicit deviation from the provisions of the Code.

(i) **How did the board carry out its evaluation to assess the appropriate board size and the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity?**

(ii) **Has the nominating committee reviewed the overall desired competency matrix of the board and identified any gaps in skills or competencies that could be addressed in future director appointments?**

In particular, Dr Clemen Chiang Wen Yuan was re-appointed to the board on 4 November 2019. Dr Clemen Chiang Wen Yuan had served as an independent director, the chairman of the nominating committee and a member of the audit committee and remuneration committee of the company in the past from 15 February 2007 to 24 April 2009.

(iii) **What is the search and nomination process for directors, especially independent director?**

Mr Foong Daw Ching was first appointed on 15 February 2007 and has served on the board for approximately 14.5 years. At the annual general meeting scheduled to be held on 30 July 2021, Mr Foong Daw Ching is retiring pursuant to Regulation 107 of the company's constitution and would be seeking his re-election. Mr Foong Daw Ching would also be seeking a two-tier vote for his continued appointment as independent director.

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(iv) **As the lead independent director, would be Mr Foong Daw Ching be holding himself to higher governance standards and lead by example, especially in setting the tone with regard to the tenure of independent directors?**

(v) **What are the company's plans for the progressive renewal of the board (Principle 4 of the Code of Corporate Governance 2018)?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)